

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: Vincent Analyst: Darrine Distefano Bill Number: SB 430  
Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: 02-21-2001  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Animal Spaying or Neutering Credit

### SUMMARY

This bill would provide a credit for spaying or neutering a cat or dog purchased or adopted by the taxpayer.

### PURPOSE OF THE BILL

The author's staff has stated the intent of the bill is to encourage taxpayers who adopt or purchase a cat or dog to have them spayed or neutered to curb the overpopulation of these animals.

### EFFECTIVE/OPERATIVE DATE

This bill is a tax levy and would be effective immediately upon enactment. The credit would apply to taxable years beginning on or after January 1, 2001 and before January 1, 2006.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or economic development area hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Currently, there is no federal or state law that provides any type of tax benefit for adopting an animal from an animal shelter or welfare organization.

Board Position:

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Department Director

Date

Alan Hunter for GHG

03/30/01

## THIS BILL

This bill would provide a credit for the cost of spaying or neutering a cat or dog that is purchased or adopted by a taxpayer. Costs that qualify for the credit would be limited to the actual costs of the spaying or neutering operation and the amount of the credit could not exceed \$100 per cat or dog.

The credit would be allowed only for a cat or dog purchased from a breeder or pet store located in this State or purchased or adopted from an animal control agency or shelter, society for the prevention of cruelty to animals shelter, humane society shelter, or rescue group.

This bill defines a breeder as a person who breeds a dog that is registered with the American Kennel Club, or a cat that is registered with either the International Cat Association, the Canadian Cat Association, or the Cat Fanciers' Association.

The taxpayer would be required to provide the Franchise Tax Board with a certificate of adoption or receipt of purchase, a certificate of spaying or neutering from a licensed veterinarian, and a substantiation of costs paid or incurred for the operation.

Any unused credit could be carried over for eight years.

## IMPLEMENTATION CONSIDERATIONS

The bill does not specifically state that the dog or cat must be adopted, purchased, spayed or neutered within any time frame. Thus, the credit can be claimed on an older dog or cat that hasn't been spayed or neutered yet. If it's the author's intent to encourage the spay or neuter to happen soon after the adoption or purchase, the bill should be amended accordingly.

## **LEGISLATIVE HISTORY**

AB 1139 (1999/2000 Strom-Martin), died in Assembly Appropriations, would have established a voluntary contribution fund for the Animal Population Control Fund.

## **OTHER STATES' INFORMATION**

Review of Illinois, Massachusetts, Michigan, and New York laws found no comparable tax credits or deductions. These states were reviewed because of the similarities between California income tax laws and their tax laws.

## **FISCAL IMPACT**

This bill would not impact the department's costs.

## **ECONOMIC IMPACT**

Based on available information, the projected amount of revenue loss associated with this bill is approximately \$7 million dollars annually, beginning in 2001-02.

The projected number of animals adopted from an animal shelter or nonprofit animal welfare organization in California in 2002 is approximately 200,000. A projected increase in adoptions of 5 percent is projected based on the effect of this bill. It is assumed that animal adoption agencies will provide a breakdown of the fees paid applicable to the spay or neuter of the adopted animals. Little information is available on the number of pets purchased from registered breeders and pet stores within California. Based on information from the American Kennel Club (AKC), for purposes of this estimate it is assumed that the total number of pets purchased from these sources in California is approximately 70,000 annually and that 50 percent of these purchased animals will be spayed or neutered. The average cost of spay or neuter procedures is estimated to be \$30 per animal.

It is assumed the intent of the proposal is to limit the credit to amounts paid or incurred within the taxable year, thereby providing an incentive to spay or neuter pets. If the bill is not amended to reflect this limitation, taxpayers who have spayed or neutered their pets in previous years will be able to claim the proposed credit, greatly increasing the associated revenue loss.

This analysis was developed in coordination with California experts from animal welfare organizations such as the SPCA and county agencies.

### **Policy Consideration**

The bill limits the credit to the costs of spaying or neutering dogs or cats adopted or purchased from certain persons (animal control agencies or shelters, humane societies, breeders or pet stores) in this State. This limitation could be subject to challenge as unconstitutional discrimination in favor of local commerce.

Credits generally are provided as a percentage of amounts paid or incurred. This bill would allow a 100% credit, which is unprecedented.

### **LEGISLATIVE STAFF CONTACT**

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